

Comparison of Proxy Loop Rates to Actual Loop Cost

		WEIGHTED LOOP COST/MO	
	PROXY CEILING	STATE	GTE
STATE	LOOP RATE/MO	AVERAGE	AVERAGE
SOUTH CAROLINA	\$17.07	\$28.82	\$25.12
DISCOUNT TO PROXY		40.8%	32.1%
TEXAS	\$15.49	\$22.02	\$27.93
DISCOUNT TO PROXY		29.6%	44.5%
VIRGINIA	\$14.13	\$21.00	\$24.54
DISCOUNT TO PROXY		32.7%	42.4%
WASHINGTON	\$13.37	\$19.59	\$23.70
DISCOUNT TO PROXY		31.7%	43.6%
WISCONSIN	\$15.94	\$18.32	\$25.94
DISCOUNT TO PROXY		13.0%	38.5%

Attachment 2

Affidavit of Duane G. Johnson

Comparison of GTE Hawaiian Telephone Revenues from Current Prices

to

Revenues from FCC Proxy Prices

GTE HAWAIIAN TELEPHONE
COMPARISON OF PRESENT REVENUE AND REVENUE RESULTING
FROM THE FCC INTERCONNECTION ORDER

SERVICE/ELEMENT	UNITS	CURRENT	ANNUAL REVENUE	Lower Limit		FCC PRICED	Upper Limit		ANNUAL REVENUE
		RATES		UNITS	RATES	UNITS	RATES		
PRESENT:									
Local Service:									
R-1	445,216	13.90	74,268,282						
B-1	82,098	32.15	31,669,874						
PBX Trunk	84,022	43.32	43,675,195						
Touch Call	547,982	1.80	11,836,411						
Custom Call	265,607	2.26	7,206,223						
Loop				611,336	15.27	112,021,209	611,336	15.27	112,021,209
NID				472,582	0.71	4,026,399	472,582	0.71	4,026,399
End Office Switching				3,948,969,816	0.002	7,897,940	3,948,969,816	0.004	15,795,879
Tandem				3,238,155,249	0.0015	4,857,233	3,238,155,249	0.0015	4,857,233
sub-total Local			168,655,985			128,802,780			136,700,719
Interim Rate Award			12,914,640						
Revised Local (adj for est. avoided costs @17%)			150,703,619						
Interstate Access:									
SLC -									
Business	166,120	5.65	11,262,936						
Residence	445,216	3.46	18,485,368						
CCL	1,774,132,000	0.0147585	26,183,527	1,774,132,000	0.0147585	26,183,527	1,774,132,000	0.0147585	26,183,527
EOS (+info surcharge)	1,778,089,000	0.0152223	27,066,604	1,778,089,000	0.002	3,556,178	1,778,089,000	0.004	7,112,356
Tandem	1,458,719,609	0.0023676	3,453,665	1,458,719,609	0.0015	2,188,079	1,458,719,609	0.0015	2,188,079
RIC/TIC	1,778,089,000	0.0068871	12,245,877	1,778,089,000	0.0051653	9,184,408	1,778,089,000	0.0051653	9,184,408
sub-total I/S Access			98,697,977			41,112,192			44,668,370
State Access:									
EOS (+info surcharge)	510,477,476	0.0163737	8,358,405	510,477,476	0.002	1,020,955	510,477,476	0.004	2,041,910
Tandem	209,310,141	0.0055633	1,164,455	209,310,141	0.0015	313,965	209,310,141	0.0015	313,965
RIC/TIC	510,477,476	0.0077176	3,939,661	510,477,476	0.0057882	2,954,746	510,477,476	0.0057882	2,954,746
sub-total ST Access			13,462,521			4,289,666			5,310,621
CMRS	Various	Various	5,100,000	Various	Various	2,500,000	Various	Various	2,500,000
sub-total Access			117,260,498			47,901,858			52,478,991
TOTAL			267,964,117			176,704,638			189,179,710
Revenue Decrease at Lower Limit						(91,259,479)			
Revenue Decrease at Upper Limit									(78,784,406)
Less CCL and RIC/TIC						(38,322,680)			(38,322,680)
TOTAL DEFICIENCY						(129,582,159)			(117,107,087)

NOTES TO REVENUES CALCULATIONS

GTE HAWAIIAN TELEPHONE

PRESENT REVENUE

- R-1, B-1, PBX trunk and Touch Call units and rates are as presented in the GTE Hawaiian Telephone's 1995 rate case. Units are in service units, and rates are effective rates.
- Custom Call units and rates are based on actual current data..
- The Local Service Revenue sub-total of \$169 million represents approximately 72% of total annual Local Service Revenue presented in the Company's 1995 rate case. The remaining 28% of annual Local Service Revenue or \$66 million which is not included in this analysis is made up of various local service revenue streams such as Public Telephone Revenue, Private Line Revenue, Operator Service and Directory Assistance Revenue, Mobil Revenue, Non-recurring Revenue, Centranet Revenue, Hawaii Public Utility Commission (PUC) Surcharge, and 911 Surcharge revenues. Most of the notes for these services will be unaffected by the FCC proxy price ceilings.
- On August 1, 1996, the Hawaii PUC released its Interim Decision and Order No. 14833 in combined Docket Nos. 94-0298 and 95-0194. This order granted GTE Hawaiian Telephone an increase of \$17.937 million in local rates. Because, as noted above, only 72% of total local service revenue is included in this analysis, that portion of the increase (\$12,914,640) was apportioned to the current local service revenue column of the analysis.
- The Local Service Revenue category is adjusted for estimated avoided costs by applying a 17% rate to the revenue. While GTE does not support this level of adjustment, the analysis has been conformed to the interconnection order to avoid controversy.
- Subscriber Line Charges (SLC) revenues are calculated utilizing the consistent access line units from the analysis and appropriate current rates.
- Interstate Access CCL, End Office Minutes of Use, and effective rates are based on actual current data.
- CCL minutes and revenue are included in the analysis in order to demonstrate the magnitude of revenue that will be exposed to loss when orders are released in the Access Reform and Universal Service phases of implementation or by June 30, 1997.

- Interstate Access Tandem Minutes of Use were developed by applying an 82% factor to the End Office Switching Minutes of Use. The factor is from GTE's March 1995 Interstate Price Cap Filing, and represents the per cent of interstate access minutes which flow through a Tandem Switch.
- State Access Minutes of Use and associated revenues is represented by two individual and combined calculations.
 - a. Intrastate Access Charge Minutes of Use and rates for End Office, Tandem Switching, and RIC/TIC are based on information filed with the Hawaii PUC in July 1995, pursuant to Docket No. 7702.
 - b. End Office, Tandem Switching, and RIC/TIC Access Charge Minutes of Use were converted from Intrastate Toll Minutes by applying an access charge two-way factor of 1.90858 to the annual Toll Minutes. Current tariff rates for intrastate access charges were utilized to calculate revenues from these minutes.
- CMRS data was supplied by individuals responsible for CMRS contract administration.

REVENUES FROM FCC PROXY PRICES

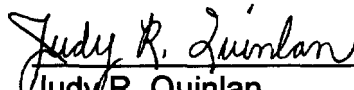
- Rates used to compute revenues are based on the proxy price ceilings mandated in the FCC's CC Docket No. 96-98, *First Report and Order*, released August 8, 1996.
- Network Interface Devices (NID) units were developed based on a one-for-one ratio applicable to R-1s and a one-for-three ratio applicable to B-1s. The monthly rate of \$.71 is based on costs developed specifically for Hawaii for R-1/B-1 NIDs.
- Local End Office Switching Minutes of Use were calculated based on data collected from several offices in studies of local traffic performed during the period May through July 1992. The data indicated that average local messages per month per residence access line totaled 200, and average holding times per message was 3.03 minutes. Average local messages per month per business line totaled 195 messages, and average holding time per message was 1.83 minutes.
- Local Tandem Switching Minutes of Use were developed by applying the 82% interstate conversion factor to Local End Office Switching Minutes of Use. Thus, it is assumed that the same ratio of local minutes will require tandem switching as was the case for interstate minutes.
- RIC/TIC rates are 75% of the present RIC/TIC rates.

RESULTS

- Revenue shortfalls from the analysis stated in terms of a percent reduction from the base revenue of \$268 million are \$91 million or 34% under the low limit scenario and \$79 million or 29% under the upper limit scenario.
- The base revenue of \$298 million (before adjustment for avoided costs) represents 61% of the estimated total annual revenue for GTE Hawaiian Telephone.
- GTE Hawaiian Telephone represents approximately 5% of the GTE domestic telephone access lines.

Certificate of Service

I, Judy R. Quinlan, hereby certify that copies of the foregoing "Joint Motion of GTE Corporation and the Southern New England Telephone Company for Stay Pending Judicial Review" have been mailed by first class United States mail, postage prepaid, on the 28th day of August, 1996 to all parties of record.


Judy R. Quinlan